

## Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 NEA-14 ISO-00 IO-14 CIAE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 CU-05 AID-20 OMB-01 ACDA-19 SAJ-01 EB-11 COME-00

FRB-03 TRSE-00 XMB-07 AGR-20 DRC-01 /216 W

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P R 231104Z JUL 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC PRIORITY 7019

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMCONSUL HONG KONG

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY RANGOON

AMEMBASSY SAIGON

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

USIA WASHDC

AMEMBASSY TOKYO

AMCONSUL UDORN

AMEMBASSY VIENTIANE

AMEMBASSY WELLINGTON

USMISSION USUN

AMCONSUL CAN THO

AMCONSUL BIEN HOA

AMEMBASSY TAIPEI

CINCPAC

CINCPACFLT

CINCUSARPAC

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DIA WASHDC

CGFMFPAC  
CGUSARSUPTHAI  
CNO  
COMNAVINTCOM  
COMSEVENTHFLT  
COMUSMACTHAI  
7/13 AF  
COMUSSAG  
III MAF  
CINCPACAF  
CTG SEVEN NINE PT FOUR

C O N F I D E N T I A L SECTION 1 OF 2 PHNOM PENH 9748

E.O.11652: GDS  
TAGS: PINT PINS PFOR MOPS ECON CB  
SUBJECT: KHMER REPORT -- JULY 23, 1974

GENERAL

1. THERE WAS A NOTICEABLE LULL LAST WEEK IN BOTH MILITARY AND INTERNAL POLITICAL ACTIVITY. STUDENT AND TEACHER ACTIVISTS WERE QUIET AS THE EXAMINATION PERIOD APPROACHED. WHILE THE LEVEL OF MILITARY ACTIVITY WAS DOWN COUNTRY-WIDE, FANK CARRIED OUT SUCCESSFUL INITIATIVES ON ROUTES 4 AND 5, AND THE KC CONTINUED TO APPLY PRESSURE IN NORMALLY TRANQUIL BATTAMBANG PROVINCE. COMMUNIST PROPAGANDA AGAINST THE JULY 9 GKR PEACE PROPOSAL DIMINISHED IN VOLUME AND INTENSITY, THE OTHER SIDE EVIDENTLY HOPING THAT THE NEGOTIATIONS FLURRY WOULD SUBSIDE. THE GKR PROPOSAL CONTINUED TO RECEIVE PRIVATE EXPRESSIONS OF OFFICIAL SUPPORT FROM OTHER NATIONS. FEW HOWEVER, WERE WILLING TO GO PUBLIC. IN AN UNEXPECTED MOVE, GRUNK/FUNK "NATIONALIZED" THE FRENCH-OWNED RUBBER PLANTATIONS IN ITS ZONE OF CONTROL.

POLITICAL (INTERNAL)

2. THERE WAS LITTLE MOVEMENT ON THE INTERNAL POLITICAL SIDE AFTER LAST WEEK'S REACTION TO THE GKR  
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NEGOTIATING OFFER (SEE KHMER REPORT FOR JULY 16). POLITICIANS ARE STILL FEELING THEIR WAY WITH THE NEW GOVERNMENT; STUDENTS AND TEACHERS HAVE RESUMED CLASSES ON THE REDUCED TEACHING SCHEDULE AGREED TO LAST APRIL. THE STUDENTS ARE CHIEFLY CONCERNED ABOUT EXAMINATIONS AND TEACHERS WITH CANDIDATES FOR THE BACCALAUREAT ARE TEACHING OVERTIME. THE RECENT SLIGHT EASING OF ECONOMIC PRESSURES ALSO HAS MITIGATED SOMEWHAT THE DIS-

SATISFACTIONS WHICH RADICAL LEADERS EXPLOITED EARLIER IN THE YEAR TO MOBILIZE STUDENTS AND TEACHERS. MINISTRY OF EDUCATION OFFICIALS, MOREOVER, ARE PUSHING A DIALOGUE, ESPECIALLY WITH TEACHERS, TO FORESTALL FUTURE CONFRONTATIONS.

POLITICAL (EXTERNAL)

3. AT A JULY 17 NEWS CONFERENCE, A THAI FOREIGN MINISTRY SPOKESMAN PUBLICALLY WELCOMED THE JULY 9 GKR PEACE PROPOSAL, CALLED FOR A RESPONSE IN KIND FROM THE OTHER SIDE AND REAFFIRMED PAST OFFERS OF THAILAND AS A SITE FOR NEGOTIATIONS. OTHER ASEAN COUNTRIES HAVE BEEN LESS FORTHCOMING, HOWEVER, EXPRESSING APPROVAL IN PRIVATE BUT DECLINING AS YET TO MAKE ANY PUBLIC STATEMENTS. ONE THAI FOREIGN MINISTRY OFFICIAL HAS TOLD OUR EMBASSY IN BANGKOK THAT THE ASEAN NATIONS WILL NOT MAKE A JOINT STATEMENT OF SUPPORT FOR THE PROPOSAL (SEE LAST WEEK'S KHMER REPORT) ON THE GROUNDS THAT ASEAN IS ALREADY CLEARLY ON RECORD AS BEING IN FAVOR OF A NEGOTIATED SETTLEMENT.

4. GKR FOREIGN MINISTER KEUKY LIM, FOLLOWING HIS DEPARTURE FROM THE LOS CONFERENCE IN CARACAS, PLANS TO PAY GOOD WILL VISITS TO GRANADA, BARBADOS AND THE BAHAMAS, PRIOR TO GOING ON TO NEW YORK FOR A PROBABLE CALL ON UNSYG WALDHEIM. KHMER ENVOYS IN LATIN AMERICA ARE ALSO TRYING TO ARRANGE VISITS TO VARIOUS COUNTRIES IN THE AREA IN ORDER TO SPELL OUT THE GKR POSITION ON NEGOTIATIONS AND THE UNGA KHMER CREDENTIALS ISSUE. KHMER AMBASSADOR TO AUSTRALIA CHHUT CHHOEUR IS SCHEDULED TO ARRIVE IN NEW YORK ON JULY 23 TO HEAD UP THE KHMER UN DELEGATION DURING THE GKR'S CREDENTIALS FIGHT AT THIS

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YEAR'S UNGA.

GRUNK/FUNK

5. FUNK PROPAGANDA DEVOTED MINIMAL ATTENTION TO THE GKR JULY 9 PEACE PROPOSAL PROBABLY IN THE HOPE THAT THE PROPOSAL AND GRUNK/FUNK'S ABRUPT REJECTION OF IT, WILL SOON DROP FROM PUBLIC VIEW. SUCH LITTLE COVERAGE AS THERE WAS TENDED TO AVOID SPECIFIC MENTION OF THE PROPOSAL, REFERRING OBLIQUELY, INSTEAD TO LON NOL'S "FALLACIOUS MANEUVERS". THE PATHET LAO HAVE NOW CHIMED IN TO CONDEMN THE PROPOSAL AS A U.S. STAGE-MANAGED "FARCE" AND TO SUPPORT SIHANOUK'S REJECTION OF IT. PEKING AND MOSCOW HOWEVER MAINTAIN THEIR MORE CIRCUMSPECT APPROACH. PEKING STILL HAS NOT COMMENTED PUBLICLY ON

EITHER THE PROPOSAL OR SIHANOUK'S STATEMENTS. AS FOR THE USSR, A JULY 14 MOSCOW COMMENTARY ON THE RECENT U.S.-SOVIET SUMMIT MEETING COULD HARDLY HAVE GIVEN MUCH COMFORT TO GRUNK/FUNK: EVEN-HANDEDLY AVOIDING SPECIFIC REFERENCE TO ANY OF THE PARTIES INVOLVED, INCLUDING GRUNK/FUNK, IT PRAISED THE U.S.-SOVIET TALKS AS BOUND TO STIMULATE THE "REALIZATION OF A LASTING PEACE" IN SOUTH VIETNAM, LAOS AND COMBODIA, PRAISED THE LAOS COALITION (SEE LAST WEEK'S KHMER REPORT), AND NOTED THAT THE SUMMIT'S EMPHASIS UPON "THE NEED FOR URGENT AND CORRECT SOLUTION OF THE CAMBODIAN

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P R 231104Z JUL 74

FM AMEMBASSY PHNOM PENH

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AMCONSUL UDORN  
AMEMBASSY VIENTIANE  
AMEMBASSY WELLINGTON  
USMISSION USUN  
AMCONSUL CAN THO  
AMCONSUL BIEN HOA  
AMEMBASSY TAIPEI  
CINCPAC  
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\*-CINCUSARPAC  
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CGFMFPAC  
CGUSARSUPTHAI  
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COMUSMACTHAI  
7/13 AF  
COMUSSAG  
III MAF  
CINCPACAF  
CTG SEVEN NINE PT FOUR

C O N F I D E N T I A L SECTION 2 OF 2 PHNOM PENH 9748

PROBLEM..."

6. IN A SURPRISE MOVE, THE GRUNK "OFFICE OF THE DEPUTY PRIME MINISTER" ISSUED A JULY 20 COMMUNIQUE NATIONALIZING ALL FOREIGN-OWNED, I.E. FRENCH, RUBBER PLANTATIONS IN THE "LIBERATED ZONE." THE COMMUNIQUE SAID THAT THE PLANTATIONS HAD BEEN WELL CARED FOR BY FUNK BUT THAT THE UNGRATEFUL FOREIGN OWNERS HAD TAKEN THE SIDE OF THE "TRAITORS" AND SHOWN AN "UNFRIENDLY" ATTITUDE TOWARD GRUNK/FUNK. IN THE FUTURE, THE RUBBER WILL BE SOLD TO ANYONE WHO WISHES TO PURCHASE IT; GRUNK WILL MANAGE THE PLANTATIONS AND SET RUBBER PRICES. COMMENT: IT IS UNCLEAR WHY THE KC HAVE TAKEN THIS DECISION AT THIS TIME. IT WILL ANTAGONIZE THE FRENCH AND WOULD THEREBY SEEM TO RUN COUNTER TO GRUNK INTERESTS AT THE UN THIS FALL. A POSSIBLE EXPLANATION MAY BE THE OTHER SIDE'S DESIRE TO DEMONSTRATE ITS STANDING AS A REAL GOVERNMENT IN CONTROL OF ITS OWN RESOURCES. END COMMENT.

7. OTHER AKI BROADCASTS DESCRIBED KHIEU SAMPHAN'S JULY 17 REPORT ON HIS VISIT TO "FRIENDLY COUNTRIES," AND HAILED THE FIRST ANNIVERSARY OF THE JULY 19-21, 1973 "CAMBODIAN NATIONAL CONGRESS." THE RESOLUTIONS

WHICH WERE THEN ADOPTED CONCERNING ALLEDGED U.S.  
AGGRESSION, THE LON NOL GOVERNMENT AND GRUNK/FUNK'S  
STATUS AS THE "SOLE LEGITIMATE REPRESENTATIVE" OF  
THE CAMBODIAN PEOPLE FORM, TOGETHER WITH SPHANOUK'S  
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FIVE POINTS, MUCH OF THE OTHER SIDE'S STANDARD  
PROPAGANDA LITANY.

8. AN AFP ARTICLE FROM PEKING QUOTES A "DIPLOMATIC SOURCE"  
TO THE EFFECT THAT SIHANOUK'S MOTHER, THE QUEEN, IS IN CRITICAL  
CONDITION. AS THE ARTICLE POINTS OUT, SIHANOUK HAS FREQUENTLY  
JUSTIFIED HIS FAILURE TO RETURN TO THE CAMBODIAN INTERIOR ON  
THE GROUNDS THAT HE MUST STAY BY HIS MOTHER'S SIDE.

ECONOMIC

9. PRICES IN PHNOM PENH WERE MIXED DURING THE WEEK ENDING  
SEASONAL FACTORS CONTRIBUTED TO A RISE IN SOME COMMODITY  
PRICES. OTHER PRICES MOVED DOWNWARD FOLLOWING THE ARRIVAL OF A  
TONLE SAP BARGE CONVOY WHICH BROUGHT SOME 4,500 TONS OF BEFF,  
RICE, SUGAR, CHARCOAL, TIMBER, CEMENT AND GARDEN  
CROPS FROM BATTAMBANG. THE BLACK MARKET EXCHANGE RATE CLOSED  
THE WEEK AT 1,180 RIELS PER DOLLAR, COMPARED TO  
A BEGINNING RATE OF 1,150.

10. AS OF JULY 21, GOVERNMENT-HELD RICE STOCKS IN PHNOM PENH  
AMOUNTED TO 56,268 M/T, OR A 73-DAY SUPPLY ON THE BASIS OF THE  
OFFICIAL DAILY QUOTA OF 770 M/T FOR PHNOM PENH AND THOSE PRO-  
VINCIAL CENTERS SUPPLIED FROM THE CAPITAL. ACTUAL DISTRIBUTION  
HAS AVERAGED 707 M/T SO FAR THIS MONTH.

MILITARY

11. COMMUNIST MILITARY ACTIVITY MARKEDLY DECREASED THROUGHOUT  
MOST OF THE COUNTRY OVER THE PAST TWO WEEKS. FANK SCORED  
ANOTHER SIGNIFICANT VICTORY, HOWEVER, WHEN GOVERNMENT INFANTRY  
AND ARMOR SALLED OUT OF THE RECENTLY RECAPTURED PROVINCE  
CAPITAL OF OUDON JULY 16 AND SURPRISED ENEMY FORCES  
ATTEMPTING TO ISOLATE TWO GOVERNMENT BATTALIONS SOUTHWEST OF  
THE CITY. CAUGHT BETWEEN TWO FANK FORCES, THE KC FLED  
WESTWARD LEAVING OVER 180 DEAD AND 60 WEAPONS ON THE BATTLEFIELD.  
FANK ALOS CAPTURED SIX PRISIONERS AND SUSTAINED ONLY  
LIGHT LOSSES.

12. THE SITUATION IN BATTAMBANG PROVINCE CONTINUED TO  
DETERIORATE. A MULTI-BATTALION FANK RELIEF FORCE STALLED  
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ABOUT FIVE KILOMETERS NORTH OF THE BESIGED GOVERNMENT GARRISON AT KOH KRALOR AND THEN DISSOLVED IN THE FACE OF MODERATE ENEMY RESISTANCE. FANK HAS SUBSEQUENTLY SENT AN ARMORED PERSONNEL SQUADRON (M-113) AND AN INFANTRY BATTALION AS REINFORCEMENTS TO JOIN WITH TWO BATTALIONS FROM THE THIRD MILITARY REGION IN A NEW RELIEF EFFORT. IN THE MEANTIME, KC FORCES ATTACKED AND ISOLATED TA NGEN, ANOTHER SMALL GARRISON LOCATED ABOUT TWENTY-FIVE KILOMETERS WEST OF THE CITY OF BATTAMBANG.

13. FANK'S THIRD DIVISION, SUPPORTED BY AN M-113 SQUADRON, CLEARED THE WEST BANK OF THE MEKONG ABOUT TWENTY KILOMETERS SOUTH OF NEAK LUONG AND PUSHED OUT FOUR KILOMETERS WEST FROM THE RIVER. IT BROUGHT BACK 2,000 REFUGEES WHOM THE NAVY IS NOW MOVING TO NEAK LUONG.

14. ON ROUTE 4 THE KOMPONG SEILA GARRISON ENTERED ITS THIRD MONTH UNDER SIEGE. NORTHEAST OF DAS KANCHOR, A HELICOPTER GUNSHIP-SUPPORTED INFANTRY AND ARMORED FORCE CAUGHT THE KC BY SURPRISE, KILLING OVER 100 AND CAPTURING SEVEN PRISONERS AND 43 WEAPONS. GKR FORCES ATTACKING ALONG ROUTE 4 MOVED SEVEN KILOMETERS WEST OF DAS KANCHOR IN AN EFFORT TO RELIEVE HEAVY COMMUNIST PRESSURE ON KOMPONG SEILA.

15. COMMUNIST GROUND ATTACKS ENDED AT KAMPOT AND THE KC LIMITED ITSELF TO SMALL-CALIBER ATTACKS-BY-FIRE. AT THE SAME TIME, FANK BROKE OFF EFFORTS TO SEIZE HIGOK TERRAIN EAST OF KAMPOT WHICH WOULD HAVE PERMITTED USE OF A STRETCH OF THE HIGHWAY THERE AS AN AIRSTRIP. KAMPOT CONTINUES TO BE SUPPLIED BY SEA.  
DEAN

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